

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 9**
(November 7, 2016)

The Postal Service hereby files its response to Chairman's Information Request No. 9, issued on November 3, 2016. The question is stated verbatim and is followed by the Postal Service's response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

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1. Please refer to the description of the basic standards for Collect on Delivery Service (COD), found in § 9.1.1 of the Domestic Mail Manual, and the Response of United States Postal Service to Question 5 of Chairman's Information Request No. 5. Section 9.1.1 of the Domestic Mail Manual states that "[a]ny mailer may use COD to mail an article (using a unique COD number for each article) for which the mailer has not been paid and have its price *and the cost of the postage* collected (not to exceed \$1,000.00) from the addressee (or agent)." (emphasis added). The Postal Service's Response to CHIR No. 5 states that the proposed Collect on Delivery Hold for Pickup service "provides customers (*i.e., mailers who pay the COD fee*) with service equivalent to what is currently provided by Collect on Delivery (COD) service; a means to send items to recipients who have not paid for merchandise, with the payment for such merchandise collected by the Postal Service (and subsequently transmitted back to the sender) after the item is delivered." Response to CHIR No. 5 at 1 (emphasis added). Additionally, the Postal Service states that "[t]his change primarily impacts the mail recipient, not the mailer who pays the COD fee." *Id.*
 - a. Please confirm that both the addressee and the party entering a COD mailing are each separately responsible for the cost of postage. If not confirmed, please explain.
 - b. Please identify all monies that would be paid by both the addressee and the party entering a hypothetical COD package with a COD value of \$100.00, mailed using a medium Priority Mail Flat Rate box. Please provide the answer for both the addressee making the payment with cash and with a check
 - c. Please confirm that the classification changes proposed in this docket do not change payment responsibility for COD.
 - d. Please reconcile the discrepancy between the Domestic Mail Manual's description of COD payment and the Postal Service's Response to CHIR No. 5.

RESPONSE:

- a. Not confirmed. The sender is exclusively responsible for paying both the postage and the Collect on Delivery (COD) fee at the time of mailing.¹ The addressee is not

¹ See DMM § 604.6.1 ("The mailer is responsible for proper payment of postage. Postage on all mail must be fully prepaid at the time of mailing...").

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responsible for paying postage, or the COD fee, to the Postal Service. For example, if the addressee declines to accept delivery, the addressee has no obligation to pay the Postal Service anything. Even if the addressee accepts delivery, the money paid to the Postal Service (for the value of the merchandise and, in some circumstances, the value of postage and the COD fee) is transferred directly to the sender and is not retained by the Postal Service for the payment of postage.² Thus, in no circumstance would the addressee be responsible for directly paying the Postal Service for the cost of the postage.

As quoted above, the DMM informs senders that they may use COD service to send items that have not been paid for, and have the Postal Service collect the price of the unpaid item and the cost of postage. While the DMM is silent with respect to whether the COD fee (which the sender pays) can also be collected from the recipient, MCS section 1505.7.1(a) makes clear that the sender is allowed to include fees in the amount collected from the recipient. However, the DMM and the MCS do not mandate that the sender include the cost of postage and fees in the amount to be collected by the Postal Service. Accordingly, it is incorrect to state that the addressee and the sender are separately responsible for paying postage.

² DMM § 504.9.1 ("The recipient has the option to pay the COD charges (with one form of payment) by cash, or a personal check or money order made payable to the mailer (accepted by the USPS employee upon the recipient's presentation of adequate identification). The USPS forwards the check or money order to the mailer.").

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In this regard, when filling out PS Form 3816, the sender only provides the Postal Service with instructions to collect X amount from the addressee.³ The Postal Service is not told if X is only the value of the item, if X is the value of the item plus postage, if X is the value of the item plus postage and the COD fee, or if X is the value of the item, plus postage and/or COD fee, plus any other “handling” fee the sender has imposed. Since the Postal Service is only told the amount to collect, and because the postage and the COD fee have already been paid for by the sender, the Postal Service is not concerned with whether the postage and/or the COD fee are included in the amount to be collected. Additionally, if the recipient refuses the item, both the DMM and the MCS make clear that “[t]he Mailer guarantees to pay any return postage...”⁴

- b. Under this hypothetical, the sender pays the Postal Service \$13.45 (Priority Mail postage) plus \$8.70 (the COD fee for collecting between \$50.01 and \$100.00) at the time of mailing.⁵ Assuming that the addressee will only pay by personal check or cash, upon delivery the addressee will either: 1) provide the Postal Service with a \$100 check made out to the sender; or 2) provide the Postal Service with \$101.20 in cash, which includes the \$1.20 fee for the creation of a money order (made out to

³ PS Form 3816, *available at* <https://about.usps.com/forms/ps3816.pdf>.

⁴ MCS § 1505.7.1(d); DMM § 503.9.1.2(b).

⁵ For purposes of this hypothetical, the Postal Service is using the current rates listed in the Mail Classification Schedule.

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the sender) in the amount of \$100. As discussed above, and as is the case in this hypothetical, the Postal Service has no way of knowing, nor does it care, whether the \$100 paid by the recipient includes postage and/or the COD fee. The postage and the COD fee have already been paid by the sender. The Postal Service is simply acting as an intermediary; transferring a specified sum of money from the addressee to the sender.

- c. Confirmed. After the contemplated classification change is adopted, the sender continues to be exclusively responsible for payment of the COD fee and the postage. As the Postal Service has previously stated, the proposed classification change only modifies the existing COD service by limiting the mode of delivery to Hold for Pickup.
- d. For the reasons explained above, the Postal Service is unaware of any discrepancies that need to be reconciled.